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KEDI ECONOMIC SURVEY

SEPTEMBER 1981 ISSUE

KENT ECONOMIC AND DEVELOPMENT INSTITUTE

P.O. Box 641/Kent, Ohio 44240/U.S.A.

BEST AVAILABLE COPY

Vol. 7, No. 3, September 1, 1981

KEDI ECONOMIC SURVEY

SEPTEMBER 1981 ISSUE

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Publication No. 098100634
KEDI September 1, 1981.

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1.0 OVERVIEW AND ASSUMPTIONS

1.01 OVERVIEW

The outlook as seen by KEDI for this year remains the same: 1981 will be a slow year with output of goods and services increasing by approximately 2 percent over the prior year. The government plans have been enacted for income tax cuts, federal budget cuts, and new depreciation rules. In the years ahead these changes will have a positive effect on the economy. The plans of the government are feasible, although the goals that are set by the Administration are viewed here as not quite attainable.

This Institute se s 1982 as a year when the economy will begin to move ahead and pick up steam in the following two years. As compared to each prior year, 1982 should have growth of 3 percent; 1983, 3.4; and 1984, 4 percent. That is a fairly good performance, but the figures are less high than those of the Administration. For example, their estimate for 1983's growth in real GNP is 5 percent.

In the 1981-82 period, the fastest growth will be in mining, defense, electronics, chemicals, plastics, aerospace, energy exploration and related industries. Housing, construction and related sectors, and autos will remain sluggish. However, by the 1983-84 years, there will be more balanced growth with less troubles for housing and construction.

There is a range of opinion among other forecasters. Like KEDI, most private forecasters see the White House projections as too optimistic. Chase Econometric was using figures of 4.1 percent for real growth in 1983 and inflation at 8 percent before the final approval by Congress of the tax cuts in late July. That forecast will be increased just a bit in terms of economic growth according to Lawrence Chimerine, but will remain under the level foreseen in Washington.

The former chairman of President Carter's Council of Economic Advisers, Charles Schultze, sees that the changes will have a net result of more sluggishness. Output won't grow as much as the Administration hopes according to him. That is agreed with here but KEDI's forecast of growth rates of 3-4 percent in 1983 and 1984 are not defined as sluggish.

The vice chairman of the Federal Reserve Board sees the economic program of the Administration as being presented in too optimistic a manner. According to The Wall Street Journal (July 31, page 1) Frederick Schultz views the net results of the tax cuts and the defense increases as heating up the economy and adding to pressures that keep interest rates and inflation rates high.

On the other hand, the chief economist at Kidder, Peabody & Co., Sam I. Nakagama, sees the tax cut as being the wrong kind with the results being prolonged stagnation. In his view, Congress

has approved bills that will do too much to stimulate consuming and not enough to increase business investment.

As was stated earlier, KEDI views the recent changes in a positive light. The tax cuts, new depreciation, and curtailed federal spending will benefit the economy. The extent of the benefits will just not be as extensive as Reagan has been proclaiming. (Perhaps, like advertising agencies, a little too much "hype" can be understood, but it should not be presented as anticipated fact.)

The price forecast that has come out of Washington is one that comes up with lower numbers than KEDI does for inflation rates after this year. Their view is that inflation will abate posthaste and drop down to the 5 percent range by 1984. KEDI calculations show that inflation will decline from last year's pace of over 13 percent, but it will not slow so quickly. The rate, for instance, in 1984 is expected to be in the range of 8 percent not around 5 percent. As far as this year is concerned KEDI and the Administration are in general agreement. The change in the CPI is forecast at 9.8 by us and 9.9 by them.

There is also agreement between this Institute and the Administration on the subject of the employment picture. There will be improvement in this area over the next few years with the rate dropping from current levels averaging around 7.6 percent to approximately 6.8 percent in 1984.

As to interest rates, the Administration sees the rates over the next few years as being lower than KEDI. Here, the prime rate for 1983 is forecast in the 15-16 percent range and mortgage rates are viewed as averaging 12-13 percent. The rates forecast in the nation's capitol are not quite that high.

KEDI's projection of federal deficits shows, that in fiscal 1984 the federal budget will still be in the red by approximately 16-18 billion dollars. The Administration sees a balanced budget at that time. KEDI's calculations show, that additional budget cuts of at least $40 billion are needed to achieve the balance at that time.

1.02 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, the changes concern the updates of Assumption No. 4.

1. In 1985, all U.S. demands for oil should be met. The weighted price of oil in 1981 will be in the $35 range. In 1982, it is expected the price will go up to $38-39; in 1983, to $41 per barrel; in 1984, to $45 per barrel; and in 1985, $50 per barrel.

2. It is expected, that the Mid East crisis will continue throughout this and the next year, and more normal economic situations, including a significant resumption in the area's of oil exports, will take place not earlier than in 1983.

3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1981-85 period. In 1982, some relaxation, and in 1983, tightening is assumed.

4. Increases in state and local taxation in 1981-85 are anticipated. Price and wage controls must remain the last resort of stabilization policy.

5. Our foreign trade with China will gain a substantial momentum in 1981 and following years.

6. In 1981 and 1982 good harvests are assumed for this country and average production of crops is expected in the U.S.S.R. A low harvest in the U.S.S.R. is expected in 1983. The U.S. 1983 harvest will be average, and the years 1984 and 1985 should bring record crops.

7. It is projected here that the average rates of growth in 1981-85 in the major industrial countries will be as follows for real GNP:

	1981-1985
West Germany	3.0%
Japan	3.4%
Italy	2.4%
Great Britian	2.4%
France	2.8%

8. No drastic changes in existing international relationships are assumed in this forecast.

The September 1981 KEDI forecast is highlighted in Table 1.0 on the following page.

KEDI FORECAST HIGHLIGHTS

Table 1.0

Indicator	Unit	1980	1981	1982	1985
Gross National Product	bil. const. 72 $	1480.7	1511.9	1555.5	1741.5
Index of Industrial Production	1967 =100	147.1	152.8	158.0	186.0
Capacity Utilization	%	78.7	80.1	83.1	86.2
Unemployment Rate	%	7.2	7.4	7.4	6.2
Private Housing Starts	mil. units	1.303	1.184	1.250	1.786
Car Sales	mil. units	9.1	9.0	9.7	11.2
Implicit GNP Price Deflator	1972 =100	177.4	193.0	208.1	252.8
Consumer Price Index	1967 =100	246.7	271.0	295.8	371.6
Producer Price Index	1967 =100	269.8	294.2	321.0	387.4
Federal Deficit	bil. $	-61.2	-48.8	-33.6	-16.9
Personal Income	bil. $	2160.2	2384.4	2612.5	3714.2
Prime Rate	%	15.10	19.46	17.95	12.31
Mortgage Rate	%	14.43	16.14	15.16	11.38
Currency plus Demand Deposits	bil. $	377.1	368.4	384.4	450.7
Commercial and Industrial Loans	bil. $	324.9	350.4	360.7	430.8

1.10 REAL GROWTH
(Table 1.10 on page 10)

In general, as compared with the forecast made last month, this one remains essentially unchanged. The projection shows NO SLUMP OR DECLINE in the coming months.

Some economists worry about the third and fourth quarters of this year and predict slowdowns and declines in the growth of the economy. The view here is that the latter half of this year will show some growth though it will not be spectacular. Recent economic news bears out this view.

First, retail sales have remained strong of late. There are no indications that they will decline during the rest of the year. Such sales gained by 1.3 percent in July following a rise of 1.7 percent in June. Much of the gain in July was attributed to a bit of recovery in auto sales from their very depressed second quarter level. Durable goods sales went up by 3.7 percent in July. Nondurable sales rose just 0.1 percent over the prior month.

Secondly, for the fifth month in a row, the confidence of consumers increased according to the Conference Board survey. Also, the Survey Research Center at the University of Michigan found its consumer sentiment index went up in the second quarter. That appears to reflect that more people view the economy as

improving in the future mainly due to the impact of Reagan's assorted packages.

Third, the unemployment rate dropped down in July to 7 percent. The forecast for the rest of the year does not show any high unemployment. Personal income will continue to rise and consumer demand will remain high. The unemployment rate for July was the lowest since April of 1980. Total employment rose by 570,000 jobs; a gain of 0.6 percent over June.

Fourthly, machine tool orders rose in June. Such orders went up by 35 percent from the prior month. As compared to June of 1980 they were 33 percent lower. Still, the May-June gain this year is important. Machine tools for defense and oil exploration and refinging are on the upswing. It is anticipated that July and August will show some declines in machine tool orders but that generally occurs in this field, and is not to be viewed as the start of a trend. June is a pivotal month for this industry. New orders here will again pick up in the last quarter of the year and gain strength in 1982.

Fifth, new orders for durable goods increased slightly in July. They went up to an adjusted total of $89.12 billion from the June level of $88.30 billion. The forecast here shows that such orders will remain strong during the rest of the year.

Sixth, KEDI's forecast shows that housing and related sectors have reached the bottom. They will not decline significantly any further. Granted, these areas have really had problems. It is looking on the bright side to say they have reached the bottom of the pit and will rest there before beginning a twisted trail toward the top over the next few years.

Productivity remains an area of concern. As Lester C. Thurow pointed out, between 1977 and 1980 blue collar productivity went up by 6 percent, but white collar productivity declined by 4 percent. There are 20 million more white collar workers than blue collar, so the result was a net drop. (Newsweek, August 24, 1981, page 63.) Productivity has been on the decline in this nation. Again, between the first and second quarter of this year, it went down by 1 percent.

TABLE 1.10 REAL GROWTH
(Unless otherwise noted, quarterly data
are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1*	2	3	4	
Gross National Product, 1972 $	bil. $	1480.7	1516.4	1507.4	1507.9	1515.9	1511.9
Index of Industrial Production	1967=100	147.1	151.8	152.7	152.8	153.8	152.8
Unemployment Rate	%	7.2	7.3	7.4	7.3	7.4	7.4
Capacity Utilization Rate	%	78.7	79.9	80.1	79.9	80.5	80.1
Private Housing Starts	mil. units	1.303	1.361	1.167	1.094	1.115	1.184
Car Sales	mil. units	9.1	10.1	7.8	8.6	9.5	9.0

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Gross National Product, 1972 $	bil. $	1511.9	1529.2	1546.3	1563.4	1583.1	1555.5
Index of Industrial Production	1967=100	152.8	155.2	156.8	158.7	161.4	158.0
Unemployment Rate	%	7.4	7.4	7.4	7.3	7.2	7.4
Capacity Utilization Rate	%	80.1	81.3	82.7	83.2	85.0	83.1
Private Housing Starts	mil. units	1.184	1.095	1.196	1.354	1.356	1.250
Car Sales	mil. units	9.0	9.3	9.4	9.8	10.2	9.7

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Gross National Product, 1972 $	bil. $	1555.5	1603.2	1620.6	1641.8	1666.7	1633.1
Index of Industrial Production	1967=100	158.0	166.2	169.4	173.3	175.2	171.0
Unemployment Rate	%	7.4	7.0	6.9	6.8	6.5	6.8
Capacity Utilization Rate	%	83.1	85.7	86.3	87.1	87.9	86.8
Private Housing Starts	mil. units	1.250	1.350	1.612	1.811	1.738	1.628
Car Sales	mil. units	9.7	10.0	9.9	10.6	11.2	10.4

* Historical Data

1.20 PRICES
(Table 1.20 on page 13)

Although KEDI reduced its forecast of the expected rate of inflation earlier this year, the outlook here has been that the gain in prices would be higher than the Administration anticipates for 1982 through 1985. As compared to last month's publication by KEDI, the rate of inflation expected remains the same as measured by the Consumer Price Index and the Implicit GNP Price Deflator.

	1981	1982	1983
Consumer Price Index (1967=100)	9.8	9.1	9.0
Implicit GNP Price Deflator (1972=100)	8.8	7.9	7.7

Recent developments support the price outlook. Consumer prices went up 1.2 percent on a seasonally adjusted basis in July. That is a 14.4 percent annual rate before compounding and made it the largest month's gain in over a year. The gain was due mainly to rising food prices and the mortgage rates remaining at a high level. It is expected that the inflation rates will back down to single digit levels by late fall.

For the average U.S. city, the CPI was at 274.4 in July or 10.7 percent higher than in July of 1980. Some expensive areas to live, by this measure, are San Diego where the CPI was 305.4 (up 13.2 percent over the previous July), the Denver-Boulder area with a CPI of 294.2 (up 12.5 percent), and in mid-America Milwaukee with a CPI of 285.6 (a gain of 13.5 percent). Even the home of the troubled auto industry, Detroit had a rise of 11.6 percent in its prices to the 283.1 level.

Again, looking at the July annual rate of 14.4 percent, that makes the previous months seem relatively modest. The April annual rate was 4.8, May was 7.0, and June was 8.4 percent. Seemingly those months showed that inflation was declining. Now it is going up again and the KEDI view is that it will remain high.

During the rest of the year, home ownership costs will continue to be high due mainly to the mortgage rates which will not decline significantly. Food prices are seen here as on the rise for at least the next few months--especially beef and pork. (There is more than one reason for the growth in vegetarian and natural foods restaurants and cookbooks.) In August and September, the main increases will be in the cost of apparel and seasonal items such as increased tuition fees.

The forecast here is maintained for double digit inflation rates in the third quarter with some relief in the fourth quarter of 1981 for an overall average this year of 9.8 percent.

In July prices for finished goods rose by an adjusted 1.5 percent as opposed to the 0.5 percent gain in June. The KEDI forecast of producer prices remains essentially unchanged. The gains in these prices over the former year will range from 8.8 to 11.5 percent between this year and 1984.

The projection here is that the steady declines in the prices of industrial materials is coming to an end this year. They will

TABLE 1.20 PRICES AND NOMINAL GNP
(Unless otherwise noted, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981 1*	1981 2	1981 3	1981 4	1981
Consumer Price Index, NSA	1967=100	246.7	262.9	270.8	273.5	277.2	271.0
Producer Price Index, NSA	1967=100	269.8	287.3	291.7	296.6	301.0	294.2
Implicit GNP Price Deflator	1972=100	177.4	188.1	191.2	194.3	198.6	193.0
Gross National Product	bil. $	2626.1	2853.0	2881.6	2929.7	3010.7	2918.6
Personal Consump Expenditures	bil. $	1672.8	1810.1	1831.0	1865.5	1919.7	1856.6
Gross Private Dom. Investment	bil. $	395.3	437.1	455.8	459.3	466.6	454.7

Indicator	Unit	1981	1982 1	1982 2	1982 3	1982 4	1982
Consumer Price Index, NSA	1967=100	271.0	286.7	291.7	298.1	306.6	295.8
Producer Price Index, NSA	1967=100	294.2	307.9	315.4	322.5	340.7	321.6
Implicit GNP Price Deflator	1972=100	193.0	202.4	206.1	209.9	214.0	208.1
Gross National Product	bil. $	2918.5	3095.1	3187.2	3282.0	3387.5	3238.0
Personal Consumpt Expenditures	bil. $	1856.6	1954.4	2005.2	2071.8	2138.6	2042.5
Gross Private Dom. Investment	bil.$	454.7	480.4	498.5	507.8	523.2	502.5

Indicator	Unit	1982	1983 1	1983 2	1983 3	1983 4	1983
Consumer Price Index, NSA	1967=100	295.8	312.8	319.2	326.5	332.6	322.7
Producer Price Index, NSA	1967=100	321.6	336.8	345.9	354.0	360.5	349.3
Implicit GNP Price Deflator	1972=100	208.1	217.7	221.0	226.8	231.6	224.3
Gross National Product	bil. $	3238.0	3490.2	3581.2	3723.8	3859.7	3663.8
Personal Consump Expenditures	bil. $	2042.5	2198.2	2252.7	2353.2	2462.7	2316.7
Gross Private Dom. Investment	bil. $	502.5	545.5	564.5	577.0	587.7	568.7

*Historical Data

start to climb again next year. Agricultural products prices are seen as being at the bottom currently. The forecast shows that in 1982, industrial materials prices will go up by approximately 10.2 percent and agricultural products prices by 8.3 percent. The gains for 1983 are, respectively, 10.2 and 8.1 percent. In the two years after that, the rates of change are seen as being roughly the same.

1.30 EMPLOYMENT AND LABOR

(Table 1.30 on page 16)

As compared to last month's forecast, the unemployment rates for the last two quarters of this year have been reduced slightly. This is mainly due to the drop in the unemployment rate in July that was not expected. The July rate of 7 percent was a 15 month low. The total unemployed was lowered to an adjusted 7.5 million people. Data for the quarters under discussion are presented:

UNEMPLOYMENT RATE (PERCENT)

1981	Third Quarter	Fourth Quarter
KEDI August 1 forecast	7.63	7.57
Current KEDI forecast	7.32	7.41

The Administration has been predicting a rate of 7.7 percent for the fourth quarter of this year. KEDI does not agree with that rate. Merrill Lynch and Chase Econometric has been using a figure of 7.9 percent for the third quarter and fourth quarter unemployment

rate forecasts of 8.0 and 7.9 percent, respectively. Obviously, those rates are seen as too high at this Institute.

The July improvement in employment was fairly widespread except for housing and the auto industry. It is important to remember the month of July is a peak month and the change does not mean there is a new trend. One month's performance cannot be used to make long term conclusions. However, it seems clear that no drastic increases in unemployment will take place in the foreseeable future. Hence, KEDI maintains its forecast for 1982 and subsequent years essentially unchanged.

The forecast for the average workweek and overtime also remains the same.

	Average Workweek Production Worker	Average Factory Overtime
1981	35.5	3.0
1982	36.4	3.3
1983	36.6	3.4
1984	35.9	3.3

KENT ECONOMIC AND
DEVELOPMENT INSTITUTE

MONTH: September 1981

TABLE 1.30 EMPLOYMENT AND LABOR
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1*	2	3	4	
Population	mil.	2230.0	224.7	225.5	226.3	227.1	225.9
Civilian Labor Force	mil.	104.7	105.8	106.2	107.1	107.7	106.7
Employed	mil.	97.1	98.0	98.4	99.3	99.7	98.8
- Agriculture	mil.	3.4	3.3	3.3	3.4	3.3	3.3
- Non Agriculture	mil.	94.1	94.7	95.1	95.9	96.4	95.5
Unemployment Rate	%	7.19	7.34	7.37	7.32	7.41	7.36

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Population	mil.	225.9	228.0	229.2	230.4	231.4	229.6
Civilian Labor Force	mil.	106.7	108.3	109.0	109.9	110.7	108.5
Employed	mil.	98.7	100.2	100.9	101.9	102.7	101.5
- Agriculture	mil.	3.3	3.4	3.4	3.3	3.3	3.4
- Non Agriculture	mil.	95.5	96.9	97.5	98.6	99.4	98.1
Unemployment Rate	%	7.36	7.43	7.41	7.29	7.21	7.34

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Population	mil.	229.6	321.5	232.2	232.9	233.4	232.5
Civilian Labor Force	mil.	109.5	111.9	113.0	113.4	114.2	113.1
Employed	mil.	101.5	104.0	105.2	105.7	106.8	105.5
- Agriculture	mil.	3.4	3.3	3.4	3.3	3.4	3.4
- Non Agriculture	mil.	98.1	100.7	101.8	102.4	103.4	102.1
Unemployment Rate	%	7.34	7.02	6.91	6.80	6.52	6.81

* Historical Data

1.40 HOUSING
(Table 1.40 on page 19)

Housing starts went up a bit in July to a seasonally adjusted annual rate of 1.055 million. The revised June rate was 1.021 million. The 3.3 percent gain between those months was preceeded by a May-June drop of close to 12 percent.

Most of the gain in July was in starts of multifamily units. Such starts increased by 6.4 percent as opposed to the single family housing starts going up by 1.8 percent to an annual rate of 691,000.

One small area of housing experiencing steady growth is that of the "bargain" homes: homes that are small and on very small lots--by U.S. standards. (Many Russians or Japanese would consider them ample.) Such houses sell for as low as $30,000. Builders typically put about eight houses to an acre and build one or two bedroom homes with less floor space or small three bedroom units without garages. In the Southwest, such homes are selling at a good clip. They are considered "starter" homes. It may be that they will be the permanent home for many as the American Dream is scaled down to fit economic conditions.

The forecast for housing starts remains unchanged here. Housing starts have reached the bottom, and no more significant decreases are expected in the rest of the year. KEDI does not agree with

Michael Sumichrast of the NAHB. He indicated that housing starts will go under one million. The reader is referred to Table 1.40. Calculations here show that starts for single family units will amount to 758,000 and the multifamily figure will be 426,000 for a total of 1.184 million units this year.

Permits for one-family homes were down by 7.9 percent in July. However there was a small increase of 1.5 percent in the number of permits issued for multifamily units. KEDI anticipates starts in the rest of the year will be about flat with the multi-unit gain balanced by the single unit decline.

Mortgage rates remain high. The national average for a fixed rate loan not backed by a government agency went up to 17.27 per cent in mid-August.

This Institute projects that housing starts will show a slight increase in 1982 as compared to the current year. In 1983 housing activities will return to a more normal level, and there will be more momentum the following year. In terms of percentage changes in the housing starts of privately owned units, a drop is seen this year and then steady gains till 1985.

KENT ECONOMIC AND
DEVELOPMENT INSTITUTE

MONTH: September 1981

TABLE 1.40 HOUSING
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1*	2	3	4	
Single-Family Housing Starts	mil.	.860	.850	.776	.698	.710	.758
Multifamily Housing Starts	mil.	.473	.511	.391	.396	.405	.426
Mobile Home Shipments	mil.	.222	.248	.276	.280	.249	.263
Housing Permits Issued	mil.	1.117	1.167	1.130	.941	.920	1.040
Construction Costs-Commerc.	1972=100	198.5	208.7	214.6	218.1	226.2	216.9
Construction Costs-Resident.	1972=100	198.6	209.5	215.1	217.5	226.1	217.1

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Single-Family Housing Starts	mil.	.758	.691	.725	.864	.827	.772
Multifamily Housing Starts	mil.	.426	.404	.471	.508	.529	.478
Mobile Homes Shipments	mil.	.263	.262	.294	.324	.336	.304
Housing Permits Issued	mil.	1.040	1.090	1.295	1.389	1.502	1.319
Construction Costs-Commerc.	1972=100	216.9	232.2	242.3	249.9	255.1	244.9
Construction Costs-Resident.	1972=100	217.1	230.7	239.8	239.6	242.8	238.2

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Single-Family Housing Starts	mil.	.772	.820	.937	1.109	1.095	.990
Multifamily Housing Starts	mil.	.478	.530	.675	.702	.643	.637
Mobile Homes Shipments	mil.	.304	.351	.364	.389	.356	.365
Housing Permits Issued	mil.	1.319	1.356	1.670	1.731	1.706	1.616
Construction Costs-Commerc.	1972=100	244.9	259.1	268.4	277.5	285.4	272.6
Construction Costs-Resident.	1972=100	238.2	255.8	269.3	278.4	281.3	271.2

* Historical Data

1.50 BUDGETS
(Table 1.50 on page 21)

Concerning the projection of the Federal Budget, no essential changes have taken place here. The tax and budget cuts were enacted as had been anticipated by KEDI for some time.

The forecast here of the federal deficits for 1981-1984 is maintained. Calculations show that if the Administration is to keep its committment to balance the budget in 1984, added cuts will be needed. Without those, the projection here of the fiscal year deficit is:

1982	$48.9 billion
1983	$28.3 billion
1984	$16.8 billion

If the 1984 fiscal year is to show a balance than a minimum of an additional $40 billion in budget cuts would be necessary: $10 billion from each of the budgets for 1982 and 1983 and roughly $20 billion more carved out of the 1984 budget.

This view, maintained here for all this year, has growing support among other economists. Even Reagan aides acknowledge that the deficit for the year starting Oct. 1 may be as high as $20 billion more than the official figure of $42.5 billion. They see little hope of added cuts for the fiscal 1982 budget. Defense, Medicare, and Social Security are the main areas where substantial cuts could be made, according to budget experts on capitol hill and in the White House.

TABLE 1.50 FEDERAL AND STATE
AND LOCAL BUDGETS
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1*	2	3	4	
Federal Govt.:							
Income Taxes	bil. $	257.8	283.3	293.1	301.2	306.7	296.1
Corporate Profit Tax Accruals	bil. $	70.1	74.6	63.3	68.2	72.6	69.7
Surplus./Deficit	bil. $	-61.2	-43.3	-50.0	-50.1	-51.8	-48.8
State and Local Governments:							
Income Taxes	bil. $	80.7	88.6	89.7	91.8	93.6	90.9
Corporate Profit Tax Accruals	bil. $	12.2	13.1	11.5	12.1	13.6	12.6
Surplus./Deficit	bil. $	29.1	37.0	36.0	36.4	37.1	36.6

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Federal Govt.:							
Income Taxes	bil. $	296.1	317.5	323.4	326.2	335.4	325.6
Corporate Profit Tax Accruals	bil. $	69.7	85.7	90.9	100.6	114.3	97.9
Surplus./Deficit	bil. $	-48.8	-39.6	-30.5	-33.5	-30.8	-33.6
State and Local Governments:							
Income Taxes	bil. $	90.9	97.1	100.4	103.0	105.4	101.5
Corporate Profit Tax Accruals	bil. $	12.6	14.2	15.9	16.1	18.3	16.1
Surplus./Deficit	bil. $	36.6	36.7	35.0	34.1	32.6	34.6

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Federal Govt.:							
Income Taxes	bil. $	325.6	340.1	354.7	357.8	369.8	355.6
Corporate Profit Tax Accruals	bil. $	97.9	120.7	128.9	136.5	142.2	132.1
Surplus./Deficit	bil. $	-33.0	-31.6	-26.2	-30.4	-23.3	-27.9
State and Local Governments:							
Income Taxes	bil. $	101.5	108.1	112.5	114.9	117.1	113.2
Corporate Profit Tax Accruals	bil. $	16.1	20.9	21.6	22.8	23.8	22.3
Surplus./Deficit	bil. $	34.6	31.8	31.9	30.8	27.9	30.6

* Historical Data

BUDGETS

Regarding State and local budgets, the projected tax receipts for 1982-83 have been increased somewhat. It is expected here that the Administration will reduce its grants to states to an extent greater than had been anticipated previously. Such cuts will be made in the attempts to narrow the federal deficit. They will, in turn, lead to higher taxation of businesses and individuals by the states in order to balance their books.

1.60 INCOME

(Table 1.60 on page 23)

The major change in this section concerns corporate after-tax profits. The forecast data have been reduced here by an average of 8 percent for each of the second, third, and fourth quarters of this year. The basic reason for the change is the downward revision of the forecast data for steel, lumber, automobiles, oil companies, and machinery in 1981. The forecast for the 1982-85 period remains essentially unchanged.

The forecast data for personal income, personal disposable income, and personal savings remain essentially the same when compared to the previous forecast.

A detailed forecast of profits by industries shows that the largest gains during 1982-83 are expected in the following industries: defense, chemicals, mining and nonferrous metals, steel, crude oil

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TABLE 1.60 INCOME
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1*	2	3	4	
Personal Income	bil. $	2160.2	2319.8	2368.9	2394.0	2454.9	2384.4
Personal Dispos. Income	bil. $	1821.7	1947.8	1986.2	2001.0	2054.6	1997.4
Compensation of Employees	bil. $	1596.5	1722.4	1751.2	1783.4	1815.7	1768.2
Corp. Profits After Tax	bil. $	163.1	169.2	150.1	159.7	172.4	162.9
Personal Saving	bil. $	101.3	88.9	105.2	104.9	112.0	102.8
Average Weekly Earnings	$	297.4	310.7	316.4	318.3	325.7	317.8

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Personal Income	bil. $	2384.4	2515.3	2576.4	2656.4	2738.1	2621.5
Personal Dispos. Income	bil. $	1997.4	2100.7	2152.6	2227.2	2297.3	2192.7
Compensation of Employees	bil. $	1768.2	1836.5	1880.7	1943.6	1997.0	1914.4
Corp. Profits After Tax	bil. $	162.9	180.5	189.4	199.3	206.8	194.0
Personal Saving	bil. $	102.8	107.1	108.3	117.0	116.4	112.2
Average Weekly Earnings	$	317.8	331.0	335.9	341.7	348.2	339.2

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Personal Income	bil. $	2621.5	2815.3	2888.2	3021.7	3130.6	2964.0
Personal Dispos. Income	bil. $	2192.7	2367.1	2421.0	2549.0	2643.7	2495.2
Compensation of Employees	bil. $	1914.4	2041.6	2088.3	2193.8	2277.0	2150.2
Corp. Profits After Tax	bil. $	194.0	214.7	216.9	223.4	229.7	221.2
Personal Saving	bil. $	112.2	119.1	118.9	121.8	132.7	123.1
Average Weekly Earnings	$	339.2	355.1	364.0	370.6	378.5	367.1

production, electrical machinery, paper and products, and machine tools. Moderate profits are anticipated in rubber, retail and wholesale food, transportation, apparel and textile industries. The projection's for construction, lumber, forest products, and autos show low profits in 1982, some improvement in 1983 and sharp gains in 1984.

The forecast data for personal income in current dollars provides the following increases over the previous year: 1982, 9.9%; 1983, + 13.1%; 1984, +12.9%; and 1985, +13.7%

1.70 MONEY AND CREDIT

(Table 1.70 on page 25)

The forecast of the development of monetary and credit aggregates has not been changed significantly for the 1981-83 years. Assumption No. 2 of tight monetary and credit policy during 1981 and 1982 remains the same. To repeat: More apparent relaxation is not expected any earlier than 1983.

That has been confirmed recently. Other analysts indicate the credit policies will remain the same. Federal Reserve officials continue to point out their determination to curtail monetary growth in order to lower the inflation rate. KEDI expects that the position of the Federal Reserve System will remain firm and that money

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TABLE 1.70 MONEY AND CREDIT

(Data for "Currency + Demand Deposits" and "Time Deposits, Adjusted" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1980*	1981				1981
			1*	2	3	4	
Currency + Demand Deposits, M1A	bil. $	387.7	365.8	365.3	369.1	372.4	368.4
Time Deposits, Adjusted, M2	bil. $	1669.4	1718.4	1757.9	1772.6	1788.9	1759.5
Consumer Instal. Credit	bil. $	313.4	310.8	317.9	324.6	332.7	332.7
Commerc. & Industr. Loans at Banks	bil.$	324.9	332.3	338.3	345.6	350.4	350.4
Negotiable Cert. of Deposits	bil. $	129.2	132.4	136.8	141.9	147.3	147.3
Mortgages at S & L Assns.	bil. $	502.8	507.0	507.6	508.9	510.8	510.8

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Currency + Demand Deposits, M1A	bil. $	368.4	376.1	380.3	386.7	394.6	384.4
Time Deposits, Adjusted, M2	bil. $	1759.5	1809.6	1821.4	1859.7	1894.8	1846.4
Consumer Instal. Credit	bil. $	332.7	339.8	345.2	353.4	360.7	360.7
Commerc. & Industr. Loans at Banks	bil. $	350.4	357.6	360.9	369.5	380.4	380.4
Negotiable Cert. of Deposits	bil. $	147.3	155.2	158.7	164.3	166.2	166.2
Mortgages at S & L Assns.	bil. $	510.8	514.6	522.3	527.1	535.6	535.6

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Currency + Demand Deposits, M1A	bil. $	384.4	405.1	413.7	420.5	427.3	416.7
Time Deposits, Adjusted, M2	bil. $	1846.4	1912.6	1939.8	1989.5	2030.4	1968.1
Consumer Instal. Credit	bil. $	360.7	368.0	377.6	385.3	390.4	390.4
Commerc. & Industr. Loans at Banks	bil. $	380.4	386.7	397.4	403.2	415.7	415.7
Negotiable Cert. of Deposits	bil. $	166.2	167.1	170.5	173.4	175.9	175.9
Mortgages at S & L Assns.	bil. $	535.6	543.8	549.2	559.3	564.6	564.6

supply increases will be at low levels. The projection here shows that monetary growth in M1B will be 3 percent in 1981, 3.5 in 1982, 4.5 in 1983, and 4.0 percent in 1984.

This Institute's forecast of commercial and industrial loans shows slow growth somewhat corresponding to the limited monetary growth. Such loans are calculated to grow by 3.5 percent in 1981, 4.2 in 1982, and slightly sharper rates of 5.8 in 1983, and 5.7 percent in 1984.

The forecast of the volume of consumer credit shows regular increases throughout the 1981-84 periods. No significant ups or downs are anticipated.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

(Table 1.80 on page 28)

KEDI's projection shows that interest rates will remain high for the rest of this year and next. As was mentioned in earlier issues, the financial markets will still be under heavy pressures caused by federal borrowing to cover the deficits. Also, there is the Fed's determination to keep interest rates high to fight inflation. Chairman Paul Volcker of the Federal Reserve Board recently acknowledged there is some pain in parts of the economy caused by

high interest rates, but he sees it as unavoidable in the inflation fight.

This Institute is skeptical of the optimistic outlook of the Secretary of the Treasury, Mr. Regan. He indicated that the prime rate would be near to 15 percent by the end of the year. The forecast at KEDI points to a prime rate of 18-19 percent at the end of the year, 16-17 percent in 1982, and moving down again in 1983.

As seen here, the problem is that through 1983, at least, the U.S. economy will continue to become more sectorized with some sectors enjoying significant growth, such as defense, energy, and electronics, and others, such as housing, thrift institutions, and small businesses being lucky to have very sluggish growth.

Monetary and credit policies aimed to curb inflation must necessarily hurt the interest sensitive industries just mentioned. They are more easily bearable, obviously, by the sectors that are managing some growth.

The remedy of the situation can only be realized when the inflationary pressures ease. At that time, monetary and credit policy can be relaxed and be less damaging to the industries most sensitive to

KENT ECONOMIC AND
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TABLE 1.80 INTEREST RATES, YIELDS
AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1980*	1981				1981
			1*	2	3	4	
3 mo Treas. Bills Rate (new issues)	%	11.42	14.37	14.91	15.69	14.37	15.09
Prime Rate	%	15.10	19.21	18.93	20.09	19.61	19.46
Mortgage Rate, New Homes	%	14.43	15.11	16.13	16.72	16.59	16.14
Aaa Bonds Rate	%	11.94	13 98	14.78	15.26	15.02	14.76
Long Term Govt. Bonds Yield	%	11.39	12.74	13.49	13.74	13.70	13.42
Standard & Poor's 500 Average	1941-43 =10	118.71	133.52	132.81	130.21	132.36	132.23

Indicator	Unit	1981	1982				1982
			1	2	3	4	
3 mo Treas. Bills Rate (new issues)	%	15.09	14.67	14.59	14.23	13.98	14.37
Prime Rate	%	19.46	18.95	18.46	17.37	17.09	17.95
Mortgage Rate, New Homes	%	16.14	15.87	15.36	15.01	14.38	15.16
Aaa Bonds Rate	%	14.76	14.76	14.54	13.72	13.24	14.07
Long Term Govt. Bonds Yield	%	13.42	13.61	13.32	13.21	13.18	13.33
Standard & Poor's 500 Average	1941-43 =10	132.23	133.26	134.97	137.58	137.21	135.76

Indicator	Unit	1982	1983				1983
			1	2	3	4	
3 mo Treas. Bills Rate (new issues)	%	14.37	13.31	12.98	12.81	13.14	13.06
Prime Rate	%	17.95	16.54	16.41	16.23	16.58	16.44
Mortgage Rate, New Homes	%	15.16	13.95	13.40	13.51	13.64	13.63
Aaa Bonds Rate	%	14.07	12.97	12.41	11.92	12.15	12.36
Long Term Govt. Bonds Yield	%	13.33	12.86	12.54	12.06	12.10	12139
Standard & Poor's 500 Average	1941-43 =10	135.76	138.16	139.26	144.02	140.65	140.52

* Historical Data

interest rates. Such a situation is not likely to occur any earlier than sometime in 1983.

KEDI's projection of the stock market remains essentially the same. Don't panic. The recent decline in stocks is considered to be temporary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, the Personal Income for the second quarter of 1981 has been selected for comparison. Actual figure has been communicated by the U.S. Department of Commerce (second revision of NIP data for second quarter 1981). Forecast data are from the Business Forecasts 1981, Federal Reserve Bank of Richmond, Richmond, Virginia, 1981. The following table shows the predictions of forecasters and the deviations of forecast data.

Table 2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

PERSONAL INCOME

(Second quarter 1981, bil. $, S.A.A.R.)

Actual: 2368.9

	Page of Business Forecasts 1981:	Forecast	% of Accuracy
Georgia State University	23	2302.0	-2.8
The First National Bank of Chicago	24	2310.0	-2.5
Manufacturers Hanover Trust Co.	25	2245.8	-5.2
UCLA	27	2320.0	-2.1
Standard & Poor's Co.	31	2311.0	-2.4
Data Resources, Inc.	32	2320.0	-2.1
KEDI	33	2358.8	- .4
Fidelity Bank	34	2344.1	-1.1
Morgan Guaranty	35	2364.3	- .2
Chase Econometrics	36	2358.5	- .4

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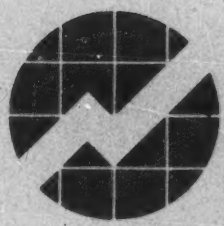
KEDI ECONOMIC SURVEY

OCTOBER 1981 ISSUE



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AND DEVELOPMENT
INSTITUTE

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Vol. 7, No. 4, October 1, 1981

KEDI ECONOMIC SURVEY

OCTOBER 1981 ISSUE

President: Vladimir J. Simunek

This updated monthly report was prepared by the staff of the Kent Economic and Development Institute, the organization of the Kent State University Foundation, Inc. Any comments, suggestions or inquiries should be directed to: KEDI ECONOMIC SURVEY, Kent Economic and Development Institute, Kent Student Center, KSU Campus, Kent, OH 44242, U.S.A. Kent State University Foundation, Inc., and Kent Economic and Development Institute are not liable for any claims based on deviation of forecast data from actual data. This report or any of its parts cannot be reproduced without the written consent of the Kent Economic and Development Institute.

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Publication No. 108100644
KEDI October 1, 1981.

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In this issue, GNP for the second quarter 1981 has been selected for comparison.

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1.00 OVERVIEW AND ASSUMPTIONS

1.01 OVERVIEW

Since the time when the Administration's economic program was proclaimed in November of 1980, KEDI has maintained the position that the program is feasible. HOWEVER, it has also been maintained here that the 1984 budget would not achieve anything close to a balance as it was outlined last year. President Reagan's speech on the night of September 24 proposed more cuts.

What KEDI had been projecting since last fall was that:

1. The federal budget cannot be balanced. Fiscal 1984 would end with a deficit of around $15 billion.
2. The rate of inflation would be higher than the Administration expects from 1982 through 1984.
3. The rates of growth of the economy will be lower than they predict.

NOW, after almost a year has gone by, proposals come from the White House for more budget cuts starting with $13 billion in 1982. Others have suggested that roughly $75 billion more will have to be cut in the two years following.

KEDI had been proposing for some time that the 1984 budget could only achieve being close to some balance if the following additional amounts were carved from spending:

$10 billion in 1982

$10 billion in 1983

$20 billion in 1984

Reagan's speech of last week generally affirmed, at last, what has been said here concerning the 1982 budget.

The forecast contained in this issue includes $13 billion more removed for the '82 budget. The same amount is now assumed to be removed from the 1983 budget and $22 billion from the '84 spending.

Compared with the budget cuts forecast (as of early September of the year), the present forecast, allowing for adjustment based on the late September Reagan speech, shows slightly higher unemployment rates, an inflation rate slightly lowered, and faster declines in the interest rates. The comparable figures for 1984 are presented here:

1984	Unemployment rate	Inflation rate	Prime rate
KEDI previous forecast without added tax cuts	6.8%	8.5%	14%
KEDI current with added tax cuts	7.0%	8.2%	13%

Calculations at this Institute show that when the expected additional budget cuts are adopted (1982-4: 13, 13 and 22 billion dollars, consecutively) then the calendar year deficits will be as follows:

Billions of Dollars, Deficit revision by KEDI

1982	42
1983	30
1984	11

This forecast does not eliminate the deficit entirely, but it does show a greatly reduced deficit.

The added cuts will put a slight crimp in economic growth. Such growth had been projected here at 3% for '82 and '83. With the cuts, those figures are seen as being 2.8 and 2.9 respectively. Growth in 1984 is seen as being about the same, i.e., 4 percent.

The projection of the general trend remains the same. In 1982, the economy will remain sectorized with some sectors such as mining, defense, electronics, chemicals, plastics, aerospace, energy exploration and related industries showing fast growth. Sluggish performances are anticipated for housing, cars, appliances and related industries. During 1983, the economy will become more compact with more regular growth in all the industries, and a resumption of general expansion will take place. The economy is expected to be in full swing in 1984 with the upward trend continuing in the following years.

1.02 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, the changes concern the updates of Assumptions No. 1 and 4.

1. In 1985, all U.S. demands for oil should be met. The weighted price of oil in 1981 will be in the $35 range. In 1982, it is expected the price will go up to $36-38; in 1983, to $41 per barrel; in 1984, to $44 per barrel; and in 1985, $48 per barrel.

2. It is expected, that the Mid East crisis will continue throughout this and the next year, and more normal economic situations, including a significant resumption in the area of oil exports, will take place not earlier than in 1983.

3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1981-85 period. In 1982, some relaxation, and in 1983, tightening is assumed.

4. Increases in state and local taxation in 1981-85 are anticipated. Price and wage controls must remain the last resort of stabilization policy.

5. Our foreign trade with China will gain a substantial momentum in 1981 and following years.

6. In 1981 and 1982 good harvests are assumed for this country and low 1981 production of crops is expected in the U.S.S.R. A low harvest in the U.S.S.R. is expected in 1984. The U.S. 1983 harvest will be average, and the years 1984 and 1985 should bring record crops.

7. It is projected here that the average rates of growth in 1981-85 in the major industrial countries will be as follows for real GNP:

	1981-1985
West Germany	3.0%
Japan	3.4%
Italy	2.4%
Great Britian	2.4%
France	2.8%

8. No drastic changes in existing international relationships are assumed in this forecast.

The October 1981 KEDI forecast is highlighted in Table 1.0 on the following page.

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KEDI FORECAST HIGHLIGHTS

Table 1.0

Indicator	Unit	1980	1981	1982	1985
Gross National Product	bil. const. 72 $	1480.7	1512.5	1553.7	1731.3
Index of Industrial Production	1967 =100	147.1	152.5	156.6	184.7
Capacity Utilization	%	78.7	79.8	82.3	86.1
Unemployment Rate	%	7.2	7.4	7.4	6.3
Private Housing Starts	mil. units	1.292	1.112	1.135	1.694
Car Sales	mil. units	9.0	9.0	9.6	11.0
Implicit GNP Price Deflator	1972 =100	177.4	192.5	206.5	248.9
Consumer Price Index	1967 =100	246.7	271.3	296.3	369.8
Producer Price Index	1967 =100	269.8	294.4	323.2	384.1
Federal Deficit	bil. $	-61.2	-47.5	-42.3	-17.2
Personal Income	bil. $	2160.2	2380.7	2615.2	3710.5
Prime Rate	%	15.10	19.36	17.13	12.37
Mortgage Rate	%	14.43	16.14	15.07	11.42
Currency plus Demand Deposits	bil. $	377.1	366.9	381.8	442.3
Commercial and Industrial Loans	bil. $	324.9	354.1	384.5	443.9

1.10 REAL GROWTH
(Table 1.10 on page 10)

As compared to the previous forecast, the data for real growth and the Index of Industrial Production for the years 1981-83 have been slightly reduced due to the impact of the added cuts in federal spending. However, the trend line for the 1981-84 years remains unchanged.

It is expected here that the third quarter of this year will show a slight decline in economic activity or be basically flat. Some rebound is anticipated for the fourth quarter. Slow growth is seen in 1982 and robust increments in economic activity will take place in 1983 and 1984.

KEDI does not see any serious decline in the economy during the rest of this year or in 1982. Recent developments lend support to that view.

First, factory orders did go up in July. The seasonally adjusted gain of 1.3 percent was the sixth month in a row of gains. Most of the boost was in transportation industries. Aircraft orders rose 50 percent in July. Tank and shipbuilding orders were also up sharply.

Expansion in orders were also recorded for the metals industry. Primary metals showed a rise of 9.8 percent.

Secondly, retail orders did gain a wee bit in August. Such sales were up by 0.6 percent. There was some increase for both durables and nondurables.

Third, new orders in manufacturing went up in July. Unfilled orders also posted some gain.

Fourth, there was a jump in orders for die forgings in July. Such orders skyrocketed by 86 percent over the year earlier total.

Fifth, the forecast for corn and soybeans was increased by the Agriculture Department. In mid-September they revised their forecast from the August level to show an additional 3 percent.

Also, hog farmers are beginning to rebuild their herds. This is in reaction to higher hog prices and better prospects.

Despite the meanderings of the miserable munching Mediterranean fruit fly the outlook for California's fruit harvest looks very good. Harvesting is mostly over for summer fruits such as peaches and plums which are expected to show a gain of 12 and 13 percent respectively.

Sixth, truck sales, although expecting to show a decline for this year of about 3.5 percent by those connected with the industry, are forecast to gain close to 21 percent in 1982. Mr.

M. A. Ward of Dean Witter Reynolds anticipated that production will go up by around 28 percent next year to cover both increased sales and replenishment of inventories.

Negative Indications.

First, orders for machine tools in July went down 37 percent from the prior year. However, most officials in the industry expect a bit of recovery in September. Many in manufacturing are putting off orders for a time. They are not cancelling them but DELAYING. That delay can be viewed as a positive sign versus outright tearing up of orders.

Second, new factory orders for durables dropped 2.5% for August. However, the orders for nondefense capital goods, a barometer of future plant and equipment spendings, rose 2.4%.

Third, the Index of Industrial Production did show a drop, but it was not all that substantial. The Index was at 152.8 percent of the 1967 average in August, whereas the July level was 153.4.

Fourth, the Index of Leading Indicators also showed a decline. Again, it was a small one. During July, this Index edged down by an estimated 0.1 percent from the prior month.

Overall, the positive news outweighs the negative. Some press coverage attempts to point to recession. This gloomy view is seen as exaggerated. The declines that have occurred are mild and/or temporary as seen by KEDI.

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TABLE 1.10 REAL GROWTH
(Unless otherwise noted, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1	2	3	4	
Gross National Product, 1972 $	bil. $	1480.7	1516.4	1510.4	1509.6	1513.6	1512.5
Index of Industrial Production	1967=100	147.1	151.8	152.7	152.5	152.8	152.5
Unemployment Rate	%	7.2	7.3	7.4	7.3	7.5	7.4
Capacity Utilization Rate	%	78.7	79.9	80.1	79.4	79.9	79.8
Private Housing Starts	mil. units	1.292	1.361	1.166	.968	.955	1.112
Car Sales	mil. units	9.0	10.2	7.9	8.6	9.4	9.0

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Gross National Product, 1972 $	bil. $	1512.5	1528.1	1548.3	1560.4	1578.1	1553.7
Index of Industrial Production	1967=100	152.5	153.7	155.2	157.1	160.3	156.6
Unemployment Rate	%	7.4	7.5	7.4	7.4	7.3	7.4
Capacity Utilization Rate	%	79.8	80.3	81.9	82.7	84.1	82.3
Private Housing Starts	mil. units	1.112	1.043	1.105	1.174	1.217	1.135
Car Sales	mil. units	9.0	9.2	9.4	9.7	10.0	9.6

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Gross National Product, 1972 $	bil. $	1553.7	1597.2	1627.6	1645.6	1668.9	1609.8
Index of Industrial Production	1967=100	156.0	164.9	168.7	172.0	174.9	170.1
Unemployment Rate	%	7.4	7.1	7.0	6.9	6.6	6.9
Capacity Utilization Rate	%	82.3	85.0	85.9	87.1	87.4	86.4
Private Housing Starts	mil. units	1.135	1.337	1.557	1.811	1.738	1.611
Car Sales	mil. units	9.6	9.9	9.8	10.6	11.0	10.3

* Historical Data

1.20 PRICES
(Table 1.20 on page 13)

There is no real change in this issue for the projection of price developments. The adjustment for each year through 1983 is 0.1 percent as compared to the last year.

In terms of the Consumer Price Index, the following price increases are now forecast.

Consumer Price Index (1967=100)
Percentage change over prior year

1981	9.9
1983	9.2
1983	9.1
1984	8.2

The main price increases for the rest of this year will be in energy, medical care, and housing. Gasoline prices, for instance, are expected to go up by about five cents a gallon through December. Food price gains will level off.

In 1982, the main areas leading in price increases will be energy items (such as electricity, gasoline, heating oil) and also housing costs. Food prices will resume the upward trail in the latter part of that year.

Slower rates of inflation are projected for 1983 and 1984. Still, KEDI does not foresee the 5 percent inflation rate that the Administration predicts for 1984. (Who wouldn't like to see

the rate drop down that far, but wishes or government press releases do not make it reality.)

News in the last month about crops and prices confirm the KEDI view of food prices. Farm prices fell by 2.1 percent in August due mostly to the good harvest prospects and slow exports. Grain and soybean prices went down as yields are expected to exceed earlier government forecasts. Sugar prices fell as the prospects for sugar beet crops improved in Europe and Russia. Those in the sugar industry see world production going up 8.5 percent this year. (Many Americans, in the battle of the bulge and with concern for better nutrition attempt to consume less sugar. If their willpower holds, they won't leap to buy a slightly less costly sweet treat or bag of sugar.)

Producer prices remained about flat in August. The unadjusted index was at 271.2 of the 1967 average as compared to 271.3 for July. KEDI anticipates that the favorable trend in prices of raw materials will cease by the end of this year or at the beginning of 1982.

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TABLE 1.20 PRICES AND NOMINAL GNP
(Unless otherwise noted, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1	2	3	4	
Consumer Price Index, NSA	1967=100	246.7	262.9	269.7	275.4	277.3	271.3
Producer Price Index, NSA	1967=100	269.8	287.3	291.7	296.8	301.9	294.4
Implicit GNP Price Deflator	1972=100	177.4	188.1	191.1	193.9	196.7	192.5
Gross National Product	bil. $	2626.1	2853.0	2885.8	2927.0	2997.4	2915.8
Personal Consump Expenditures	bil. $	1672.8	1810.1	1829.1	1855.1	1876.6	1842.7
Gross Private Dom. Investment	bil. $	395.3	437.1	458.6	452.8	462.6	452.8

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Consumer Price Index, NSA	1967=100	271.3	287.2	292.1	298.7	307.1	296.3
Producer Price Index, NSA	1967=100	294.4	308.9	317.6	324.1	342.3	323.2
Implicit GNP Price Deflator	1972=100	192.5	200.4	205.1	208.3	212.2	206.5
Gross National Product	bil. $	2915.8	3062.3	3175.9	3250.8	3348.4	3209.4
Personal Consumpt Expenditures	bil. $	1842.7	1919.4	1988.5	2035.3	2096.8	2010.0
Gross Private Dom. Investment	bil.$	452.8	481.7	501.2	510.5	525.9	504.8

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Consumer Price Index, NSA	1967=100	296.3	313.3	319.8	326.9	333.2	323.3
Producer Price Index, NSA	1967=100	323.2	347.1	354.6	359.2	365.7	356.7
Implicit GNP Price Deflator	1972=100	206.5	215.6	220.0	224.8	228.5	222.2
Gross National Product	bil. $	3209.4	3443.6	3580.4	3722.5	3813.1	3639.9
Personal Consump Expenditures	bil. $	2010.0	2151.6	2201.9	2283.7	2365.4	2250.7
Gross Private Dom. Investment	bil. $	504.8	545.5	564.9	579.4	590.6	570.1

*Historical Data

1.30 EMPLOYMENT AND LABOR
(Table 1.30 on page 16)

When compared with the last projection, this one remains essentially unchanged. In August, the unemployment rate increased to 7.2 percent and a further rise is expected for September. That is in line with the projection that has been made here.

KEDI does not agree with Evans Econometrics. Mr. Evans views the rate of unemployment as declining some for the rest of the year to a level of 7 percent. Nor does this Institute agree with Mr. Chimerine of Chase Econometrics in his forecast of that rate being 8 percent by the end of the year. The KEDI's projection of the last quarter's unemployment rates are the following:

1981	7.46
1982	7.34
1983	6.64
1984	6.70
1985	6.65

The projection by industries for the rest of this year and for 1982 shows high employment and job vacancies in mining, energy exploration, chemicals, defense and related industries. The employment outlook is moderate for steel, paper, rubber, plastics, transportation, food, electrical and nonelectrical machinery,

and service industries. Appliances, lumber, household furnishings, and the automobile industry will not improve earlier than the second half of 1982. Joblessness will decline more significantly starting in 1983.

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TABLE 1.30 EMPLOYMENT AND LABOR
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1	2	3	4	
Population	mil.	2230.0	224.7	225.5	226.3	227.1	225.9
Civilian Labor Force	mil.	104.7	105.8	106.2	107.1	107.7	106.7
Employed	mil.	97.1	98.0	98.4	99.3	99.7	98.8
- Agriculture	mil.	3.4	3.3	3.3	3.4	3.3	3.3
- Non Agriculture	mil.	94.1	94.7	95.1	95.9	96.3	95.5
Unemployment Rate	%	7.19	7.34	7.37	7.27	7.46	7.36

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Population	mil.	225.9	228.0	229.2	230.4	231.4	229.6
Civilian Labor Force	mil.	106.7	108.3	109.0	109.9	110.7	108.5
Employed	mil.	98.7	100.2	100.9	101.8	102.6	101.4
- Agriculture	mil.	3.3	3.4	3.4	3.3	3.3	3.4
- Non Agriculture	mil.	95.5	96.8	97.5	98.5	99.3	98.0
Unemployment Rate	%	7.36	7.49	7.43	7.37	7.34	7.41

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Population	mil.	229.6	321.5	232.2	232.9	233.4	232.5
Civilian Labor Force	mil.	109.5	111.9	113.0	113.4	114.2	113.1
Employed	mil.	101.4	103.9	105.1	105.6	106.6	105.4
- Agriculture	mil.	3.4	3.3	3.4	3.3	3.4	3.4
- Non Agriculture	mil.	98.0	100.6	101.7	102.3	103.2	102.0
Unemployment Rate	%	7.41	7.12	6.98	6.92	6.64	6.92

* Historical Data

1.40 HOUSING
(Table 1.40 on page 18)

The projection of housing starts has been slightly revised. Housing starts are now expected to total 1.113 million units this year as compared to the previous forecast of 1.184.

KEDI does not agree with the view of the National Association of Home Builders as expressed by Mr. Sumichrast. In his view housing starts will fall below an annual rate of 900,000 during the continued declines that he expects during the next six months.

The projection here shows that housing starts are about at the bottom. No significant additional declines will take place. The reasons follow: First, even though August data are bad as housing starts went down by 10.7 percent, multifamily starts gained some. Such starts went up 1.2 percent in August. Secondly, the decline in building permits was not large. The 5.5 percent downward move does not indicate any further dramatic downturn. On the bright side, new home sales rose by 2.4 percent in July. Still they remain at very low levels.

The forecast by this Institute shows that housing will remain low throughout 1982. Significant increases will be seen in 1983 and 1984.

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TABLE 1.40 HOUSING
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit		1	2	3	4	
Single-Family Housing Starts	mil.	.860	.850	.776	.619	.597	.711
Multifamily Housing Starts	mil.	.473	.511	.391	.349	.358	.477
Mobile Home Shipments	mil.	.222	.248	.276	.245	.240	.252
Housing Permits Issued	mil.	1.117	1.177	1.147	.872	.864	1.015
Construction Costs-Commerc.	1972=100	198.5	208.7	214.6	218.9	227.4	217.4
Construction Costs-Resident.	1972=100	198.6	209.5	215.1	217.8	227.0	217.4

Indicator	Unit		1	2	3	4	
Single-Family Housing Starts	mil.	.711	.624	.703	.771	.796	.724
Multifamily Housing Starts	mil.	.477	.369	.402	.463	.501	.434
Mobile Homes Shipments	mil.	.252	.251	.268	.295	.309	.281
Housing Permits Issued	mil.	1.015	1.906	1.084	1.205	1.314	1.127
Construction Costs-Commerc.	1972=100	217.4	233.1	243.1	250.3	256.3	254.7
Construction Costs-Resident.	1972=100	217.4	231.6	240.6	242.0	243.7	239.5

Indicator	Unit		1	2	3	4	
Single-Family Housing Starts	mil.	.724	.811	.906	1.109	1.095	.980
Multifamily Housing Starts	mil.	.434	.526	.651	.702	.643	.631
Mobile Homes Shipments	mil.	.281	.336	.358	.389	.356	.360
Housing Permits Issued	mil.	1.127	1.360	1.582	1.691	1.701	1.584
Construction Costs-Commerc.	1972=100	254.7	259.9	269.5	278.4	286.3	273.5
Construction Costs-Resident.	1972=100	239.5	256.8	270.1	279.1	282.5	272.1

* Historical Data

1.50 BUDGETS
(Table 1.50 on page 21)

This October, 1981, forecast is based on the assumption that the federal budget for 1982 which starts October 1, 1981, will be cut by $13 billion more. (The Reagan budget as of July was projecting expenditures for 1982 of $704.8 billion and revenues of $662.4.) The budget for 1983 will be cut by an additional $13 billion and the 1984 spending will be reduced by another $22 billion.

The Administration has indicated that it may plan to cut approximately $75 billion from the projected spending for 1983 and 1984. That is too large and would affect growth. The KEDI analysis shows that such cuts of such a dimension can be realized only by trimming the defense outlays by roughly $40 billion and saving the remaining $35 billion out of civilian portions of the 1983 and 1984 budgets. Such added drastic trimming would "cut too close to the bone." The patient (our economy) doesn't need to be bedridden by such severe action.

The KEDI projection now incorporates the 1983 added $13 billion cut and the 1984 estimated trimming of $22 billion only. The projected data show that with these fairly modest cuts, the deficits in '83 and '84 can be reduced to reasonable levels of $30 billion in 1983 and $11 billion in 1984. The U.S. can tolerate deficits in this range.

In the September 1, 1981, KEDI issue, it was assumed that the $40 billion budget package would not be approved by Congress. The main reason for the lack of approval included the politically sensitive reductions in Social Security benefits. Such changes would hardly be acceptable to Congress or to those that put them in office. It is now assumed at this Institute that the present budget cut proposal of $13 billion for 1982 will go through Congress with some possible minor adjustments. Approval is likely because there are no longer any Social Security reductions in the proposals. (Reagan got the message that his cuts did not stand a chance if the varied benefits were touched in a negative way.)

The calendar year projections of the federal deficit by KEDI that include the added cuts of $13, $13 and $22 billion are as follows in billions of dollars:

1982	42.3
1983	29.7
1984	10.7

The forecast data for surpluses of state and local governments have been somewhat reduced since it is anticipated that some revenue sharing items will be reduced.

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TABLE 1.50 FEDERAL AND STATE
AND LOCAL BUDGETS
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1	2	3	4	
Federal Govt.:							
Income Taxes	bil. $	257.8	283.3	293.2	296.8	300.4	293.4
Corporate Profit Tax Accruals	bil. $	70.1	77.9	64.8	66.2	73.4	70.6
Surplus./Deficit	bil. $	-61.2	-43.3	-47.2	-50.7	-48.6	-47.5
State and Local Governments:							
Income Taxes	bil. $	80.7	88.6	89.7	91.9	93.9	91.0
Corporate Profit Tax Accruals	bil. $	12.2	13.1	11.6	12.2	14.4	12.8
Surplus./Deficit	bil. $	29.1	37.0	36.1	36.3	36.7	36.5

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Federal Govt.:							
Income Taxes	bil. $	293.4	308.7	316.9	319.0	329.1	318.4
Corporate Profit Tax Accruals	bil. $	70.6	80.6	87.2	90.5	103.0	90.3
Surplus./Deficit	bil. $	-47.5	-42.4	-43.9	-43.3	-39.7	-42.3
State and Local Governments:							
Income Taxes	bil. $	91.0	98.2	101.5	103.9	106.2	102.5
Corporate Profit Tax Accruals	bil. $	12.8	15.2	16.9	17.4	19.3	17.2
Surplus./Deficit	bil. $	36.5	36.4	34.8	33.5	32.1	34.2

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Federal Govt.:							
Income Taxes	bil. $	318.4	338.2	350.6	356.9	368.7	353.6
Corporate Profit Tax Accruals	bil. $	90.3	110.2	117.0	131.1	140.3	124.7
Surplus./Deficit	bil. $	-42.3	-33.9	-23.1	-23.5	-18.5	-29.7
State and Local Governments:							
Income Taxes	bil. $	102.5	109.4	113.4	115.6	117.9	114.1
Corporate Profit Tax Accruals	bil. $	17.2	21.7	22.6	29.8	25.1	24.8
Surplus./Deficit	bil. $	34.2	30.8	30.9	30.8	31.9	31.1

* Historical Data

1.60 INCOME
(Table 1.60 on page 23)

The forecast data for personal income and other income aggregates preserve the 1981-83 trend as outlined in previous KEDI issues. That is, there will be very small increases during the rest of this year and in 1982. More significant increments will be seen in 1983 and the following years.

Though the trend has remained unchanged, there is a slight downward revision in personal income, personal disposable income and related aggregates mainly due to the impact of the new federal spending cuts anticipated for the rest of 1981 and 1982. For 1983 and 1984, no significant changes are seen as compared to the data in the September, 1981, forecast.

The data for personal income, personal disposable income, and personal savings for August of 1981, recently released by the U.S. Department of Commerce, show no real change when allowance is made for inflation. In August personal income rose by $26.9 billion to a seasonally adjuted $2.446 trillion annual rate. That supports the KEDI analysis that the economy is not heading into any recession.

The forecast data on profits have not been changed significantly when compared to the prior forecast.

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TABLE 1.60 INCOME
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1980*	1981				1981
			1	2	3	4	
Personal Income	bil. $	2160.2	2319.8	2368.5	2384.7	2449.7	2380.7
Personal Dispos. Income	bil. $	1821.7	1947.8	1985.6	1996.0	2055.4	1996.2
Compensation of Employees	bil. $	1596.5	1722.4	1752.0	1780.6	1814.1	1767.3
Corp. Profits After Tax	bil. $	163.1	169.2	152.7	159.6	167.3	162.2
Personal Saving	bil. $	101.3	88.9	106.6	106.3	110.7	103.1
Average Weekly Earnings	$	297.4	310.7	316.9	319.2	326.4	318.3

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Personal Income	bil. $	2380.7	2505.6	2570.3	2651.5	2733.2	2615.2
Personal Dispos. Income	bil. $	1996.2	2098.7	2151.9	2228.6	2297.9	2194.3
Compensation of Employees	bil. $	1767.3	1834.1	1877.5	1938.9	1992.7	1910.8
Corp. Profits After Tax	bil. $	162.2	175.4	184.5	194.9	203.8	189.7
Personal Saving	bil. $	103.1	109.2	109.0	117.1	116.9	113.1
Average Weekly Earnings	$	318.3	332.8	336.7	343.1	349.5	340.5

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Personal Income	bil. $	2615.2	2802.6	2884.1	3020.5	3129.5	2959.2
Personal Dispos. Income	bil. $	2194.3	2355.0	2420.1	2548.0	2642.9	2491.5
Compensation of Employees	bil. $	1910.8	2040.5	2088.6	2194.0	2278.3	2150.4
Corp. Profits After Tax	bil. $	189.7	211.3	214.9	221.2	227.6	218.8
Personal Saving	bil. $	113.1	119.4	109.7	122.6	124.3	119.0
Average Weekly Earnings	$	340.5	357.4	367.2	373.5	379.2	369.3

1.70 MONEY AND CREDIT
(Table 1.70 on page 25)

The forecast is based on Assumption No. 3: Restrictive monetary and credit policies will prevail for the rest of 1981 and in 1982. Some relaxation is expected in the second half of 1982. However, the restrictive policy will resume in 1983 and continue in following years.

The forecast here reflects that assumption. Data for monetary aggregates show moderate increases, well within the targets set up for 1981-1982. The growth of the Money Supply M1B is projected as 6.3% in 1981, 6.8% in 1982, 7.3% in 1983, and 7.1% in 1984. Money Supply, M2, is expected to grow by 7.6% in 1981, by 8.0% in 1982, 9.3% in 1983, and 8.9% in 1984.

During the rest of 1981 and 1982, moderate demand for commercial and industrial loans is expected. Projections for 1983 and 1984 show rapid expansion. There will be a slowing in this area in 1985.

Consumer credit will expand approximately 6-8% annually throughout 1981-1985. The projection of mortgage loans shows sluggishness for the rest of 1981 and the first half of 1982. From the second half of 1982 through the following years, strong growth is expected.

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TABLE 1.70 MONEY AND CREDIT
(Data for "Currency + Demand Deposits" and "Time Deposits, Adjusted" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1980*	1981				1981
			1	2	3	4	
Currency + Demand Deposits, M1A	bil. $	376.7	365.8	364.5	367.2	370.1	366.9
Time Deposits, Adjusted, M2	bil. $	1601.0	1718.4	1743.6	1764.5	1771.3	1749.5
Consumer Instal. Credit	bil. $	313.4	310.8	318.5	324.9	333.4	333.4
Commerc. & Industr. Loans at Banks	bil.$	324.9	332.3	340.6	347.2	354.1	354.1
Negotiable Cert. of Deposits	bil. $	129.2	132.4	136.8	142.6	150.1	150.1
Mortgages at S & L Assns.	bil. $	502.8	507.0	507.6	509.1	511.6	511.6

Indicator	Unit	1981	1982				1982
			1	2	3	4	
Currency + Demand Deposits, M1A	bil. $	366.9	374.2	378.1	382.6	392.1	381.8
Time Deposits, Adjusted, M2	bil. $	1749.5	1802.0	1810.8	1849.6	1873.9	1834.1
Consumer Instal. Credit	bil. $	333.4	340.6	346.1	354.2	361.3	361.3
Commerc. & Industr. Loans at Banks	bil. $	354.1	360.1	364.3	373.2	384.5	384.5
Negotiable Cert. of Deposits	bil. $	150.1	156.7	160.4	166.9	169.8	169.8
Mortgages at S & L Assns.	bil. $	511.6	514.4	521.0	526.8	534.2	534.2

Indicator	Unit	1982	1983				1983
			1	2	3	4	
Currency + Demand Deposits, M1A	bil. $	381.8	400.1	411.6	419.7	426.2	414.4
Time Deposits, Adjusted, M2	bil. $	1834.1	1910.4	1936.5	1987.8	2028.5	1965.8
Consumer Instal. Credit	bil. $	361.3	370.5	378.2	387.1	392.1	392.1
Commerc. & Industr. Loans at Banks	bil. $	384.5	390.2	398.9	406.1	417.2	417.2
Negotiable Cert. of Deposits	bil. $	169.8	170.4	173.2	176.1	178.0	178.0
Mortgages at S & L Assns.	bil. $	534.2	544.1	550.7	561.6	562.7	562.7

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Table 1.80 in page 28)

The anticipated second round of federal budget tax cuts will result in interest rates, bond rates, and mortgage rates being somewhat lower than was anticipated before the new proposals. On the average, KEDI estimates that over the next three years approximately one percentage point annually will be eased off of these rates if most of Reagan's proposals are approved. For instance, KEDI had forecast the interest rate in the middle 17 percent range for 1983. Now that is seen as being in the middle 16 percent range. The mortgage rate in 1983 had been seen as being generally above 14 percent. Now it is likely to be in the 13 percent area.

Such reductions are certainly positive. Still, any return to single digit interest rates are still far from sight.

KEDI does not agree with the view of Mr. Kaufman from Salomon Brothers that we have not yet seen the highs of interest rates. He expects that current levels will be exceeded in the next nine months. The projection at this Institute shows interest rates will remain at current levels or decline slightly during the rest of this year. For the first half of 1982, the rates will show a slight downward trend.

It is expected that the federal borrowing in the fourth quarter of this year and in the first quarter of 1981 will be approximately $50-55 billion. That amount can be raised on financial

markets without any dramatic increases in interest rates. Calculations show that in order to break the December, 1980, record in interest rates, the Treasury would have to borrow approximately $65-70 billion from financial markets in the fourth quarter of 1981 and the first quarter of 1982. Such a situation is considered unlikely here.

The forecast of the stock market at this Institute has been slightly reduced when compared with prior projections. That reduction is not significant. The current stock market declines are viewed as temporary here.

KENT ECONOMIC AND
DEVELOPMENT INSTITUTE

MONTH: October 1981

TABLE 1.80 INTEREST RATES, YIELDS
AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit		1	2	3	4	
3 mo Treas. Bills Rate (new issues)	%	11.51	14.37	14.83	15.71	14.86	14.94
Prime Rate	%	15.10	19.21	18.93	19.84	19.46	19.36
Mortgage Rate, New Homes	%	14.43	15.11	16.13	16.72	16.61	16.14
Aaa Bonds Rate	%	11.94	13.92	13.98	15.17	15.02	14.52
Long Term Govt. Bonds Yield	%	11.39	12.74	13.49	13.71	13.62	13.40
Standard & Poor's 500 Average	1941-43 =10	118.71	131.52	132.81	129.06	130.95	131.09

Indicator	Unit		1	2	3	4	
3 mo Treas. Bills Rate (new issues)	%	14.94	14.24	14.02	13.89	13.41	13.89
Prime Rate	%	19.36	18.86	17.10	16.52	16.02	17.13
Mortgage Rate, New Homes	%	16.14	15.93	15.21	14.97	14.17	15.07
Aaa Bonds Rate	%	14.52	14.52	14.10	13.49	13.01	13.78
Long Term Govt. Bonds Yield	%	13.40	13.12	13.06	12.97	12.89	13.01
Standard & Poor's 500 Average	1941-43 =10	131.09	132.54	133.61	135.27	136.54	134.49

Indicator	Unit		1	2	3	4	
3 mo Treas. Bills Rate (new issues)	%	13.89	13.01	12.26	12.03	12.25	12.89
Prime Rate	%	17.13	15.94	15.09	15.24	15.68	15.49
Mortgage Rate, New Homes	%	15.07	13.61	13.02	13.10	13.26	13.25
Aaa Bonds Rate	%	13.78	12.52	12.04	11.28	11.46	11.98
Long Term Govt. Bonds Yield	%	13.01	12.56	12.14	11.80	11.96	12.12
Standard & Poor's 500 Average	1941-43 =10	134.49	137.42	138.14	142.25	140.57	139.60

* Historical Data

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, the Gross National Product for the second quarter of 1981 has been selected for comparison. The actual figure is the September, 1981, revised estimate of the U.S. Department of Commerce. Forecast data are from the Business Forecasts 1981, Federal Reserve Bank of Richmond, Richmond, Virginia, 1981. The following table shows the predictions of forecasters and the deviations of forecast data.

Table 2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

(Gross National Product, bill. $, seas. adj. at annual rates)

Actual: 2885.8

Forecaster	Forecast	Page of Business Forecasts 1981	% of Accuracy
Peter L. Bernstein, Inc.	2779.0	20	-3.7
American Statistical Assn. and NBER	2808.5	21	-2.7
Ameritrust	2783.0	22	-3.6
Georgia State University	2807.3	23	-2.7
The First National Bank of Chicago	2779.0	24	-3.7
Manufacturers Hanover Trust	2731.1	25	-5.4
Chemical Bank	2815.0	26	-2.5
UCLA	2814.7	27	-2.5
WGN Continental Broadcasting Co.	2748.0	29	-4.8
Cyrus J. Lawrence Inc.	2810.4	29	-2.6
Bankers Trust Co.	2806.0	30	-2.8
Standard & Poor's	2790.0	31	-3.3
Data Resources, Inc.	2790.0	32	-3.3
KEDI	2849.7	33	-1.3

Forecaster	Forecast	Page of Business Forecasts 1981	% of Accuracy
Fidelity Bank	2817.0	34	-2.4
Morgan Guaranty	2882.8	35	-0.1
Chase Econometrics	2861.2	36	-1.0
Equitable Life Assurance Society	2829.3	37	-2.0